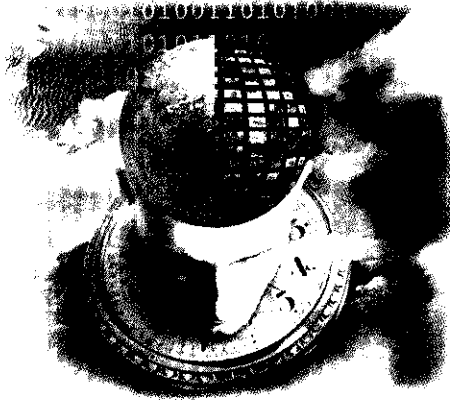




ZEE TELEFILMS LIMITED

1 8 T H A N N U A L R E P O R T 1 9 9 9 - 2 0 0 0

CONTINUING TO GROWTH AND PROGRESS



*"Mental action precedes every
physical and vocal action.
Mind comes first.
Mind is supreme.
All our actions are decided by mind.
The world is led around by mind.
It is one thing that brings everything
else under its sway.
Mind matters most."*

Shri S.N. Goenka
Vipassana Foundation

Report  junction.com

- 16 out of Top 20 programs from Zee TV across channels
- Zee TV maintained leading viewership share of 38% in India
- Reach of more than 200 million viewers worldwide
- Siticable connectivity : more than 5 million homes
- Zee ranked the 9th largest brand of India

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BOARD OF

Subhash Chandra

Chairman

Vijay Jindal

Vice Chairman & Managing Director

Laxmi Narain Goel

Director

Ashok Kurien

Director

Vasant Parekh

Director

Vikas Gupta

Company Secretary
& G.M. (Finance)

CHIEF

Entertainment

R.K. Singh

News

Deepak Shourie

Convergence

Dev Naganand

Education

Uma Ganesh

Organic

Alok Dutta

President - Corporate

Rajesh Jain

Executive President - Finance

B.R. Jaju

REGD. OFFICE

135, Continental Building,
Dr. A.B. Road, Worli,
Mumbai 400 018.

AUDITORS

M/s. M.G. Bhandari & Co.

BANKERS

ICICI Banking Corporation Ltd.
Banque Nationale De Paris
ANZ Grindlays Bank Plc.

Visit us at www.zeetelevision.com

VALUE

To maintain

the company's pioneering status

as a multimedia content and access provider, driven by viewer response and

shareholder confidence.

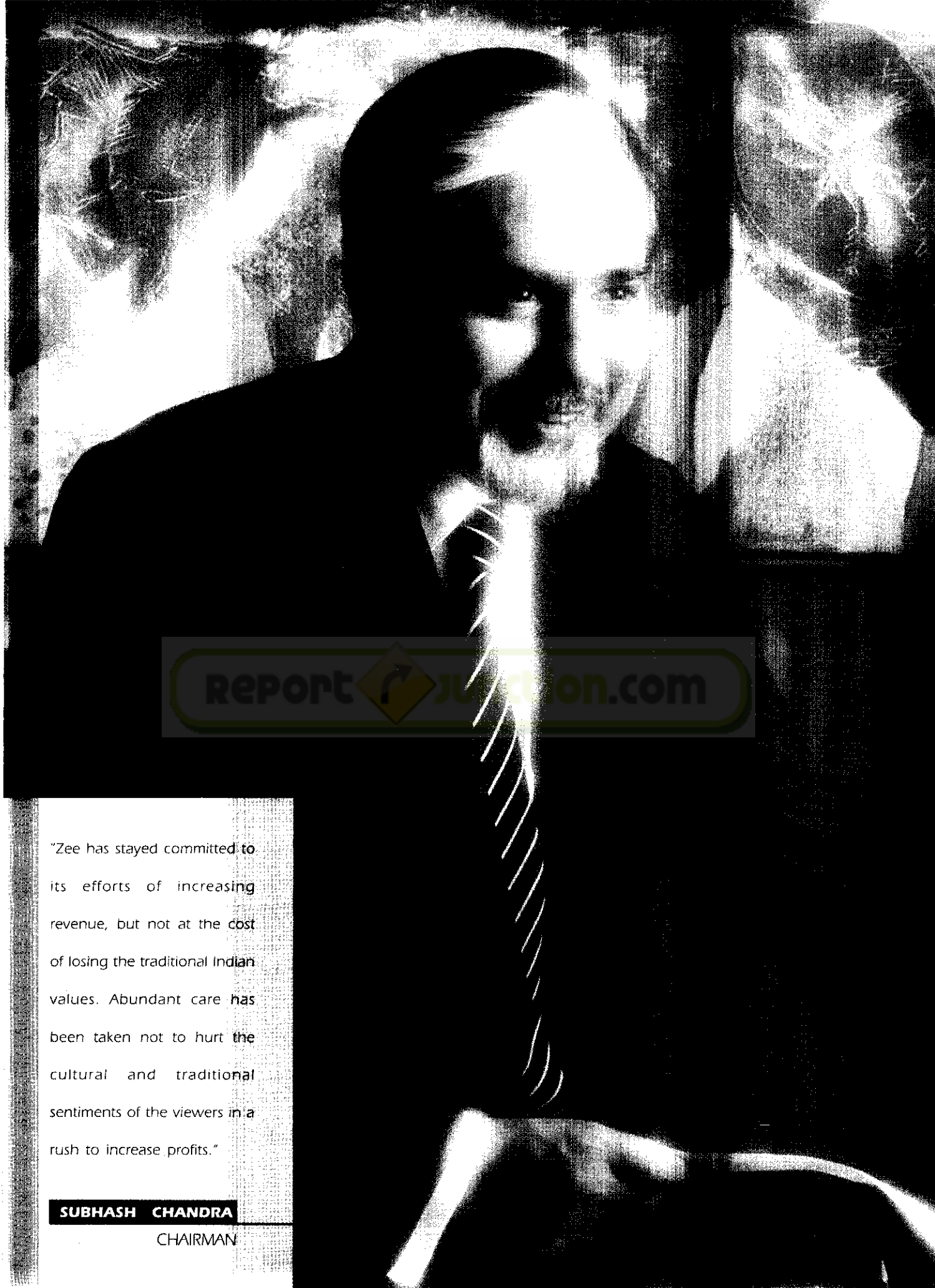
We will continue to aim for greater growth in creativity

and productivity by adding value to existing properties both for our viewers

and advertisers.

Convergence through flow of group synergies shall make

innovation an inevitable part of the Zee brand.



Report  Junction.com

"Zee has stayed committed to its efforts of increasing revenue, but not at the cost of losing the traditional Indian values. Abundant care has been taken not to hurt the cultural and traditional sentiments of the viewers in a rush to increase profits."

SUBHASH CHANDRA

CHAIRMAN

CHAIRMAN'S

STATEMENT

Zee Network is fast progressing towards convergence. Having started as a content production and marketing company 8 years ago, it has now been able to set its foot on almost all growth sectors of the economy - be it entertainment or information or media or knowledge.

Most of other companies, whether in India or abroad continue to confine themselves to one sector or another, even after their hundreds of years of existence. They are still reticent to come out of their comfortable zones of the past. Although they talk about convergence, they are far off from the real convergence.

True convergence takes place only when an enterprise is able to leverage and repurpose its traditional or conventional content, made for one method of distribution, for dissemination through other emerging interactive modes of distribution also.

Likewise, convergence means that an enterprise either owns or is in a position to deliver the repurposed content through newer and newer modes as demanded by the customer. Convergence is essentially a twosome phenomenon - one at the content level which consists in repurposing, re-exploiting and re-cycling for newer and newer revenue streams and another at the distribution level which consists in multiple modes of distribution to control the dominance on the last mile link to the consumer.

A simple retelecast of TV signal over the Internet does not bring in any convergence as is often assumed by enterprises now-a-days.

Convergence requires new initiatives and new investments which the enterprises in India are still shy off. Convergence

would still remain a pipe-dream, if enterprises in India do not lay the foundation of distribution.

SitiCable has been recognized as the most dominant last mile link to the customer. The pipe that delivers conventional TV channels utilizing its bandwidth of 550 to 750 MB in the analogue currency could now be gainfully utilized to pump in a number of new services and products including video-on-demand, gaming, near video-on-demand, banking and e-commerce, besides Niagara fall like access to internet.

Zee believes that this pipe which has been largely used for delivering one-way TV content as of date, could now also deliver products of information and knowledge bringing the viewers or recipients here, on services at par with those of so far fortunate ones in Europe and USA.

How good is convergence, if the repurposed content, especially the broadband TV film content remains undistributed due to the lack of bandwidth or distribution modes.

Just as television heralded the birth of the next media after hundreds of years of publishing, similarly Internet is yet another next wave of media marching ahead of publishing and television.

What makes interactive and Internet media the ideology of business and society is the fact that it could afford the choice of customer. It makes the viewer an active participant in the content, it makes the consumer a prosumer and converts one way viewership into a two way dialogue.

The real and true impact of internet and interactive media is still not well understood in India with most of the companies just talking about convergence and merely webcasting the traditional TV telecast over the internet with total indifference to interactivity.

Your company is in a position to harness new source of revenue addition for the same content.



If our past is deeply steeped into advertising market, our bigger future lies in the pay market, whether it is DTH or DTH service or conventional media or pay per view or premium channels or ISP services through TELCO or Cableco for now, and wireless in the future.

Education is another growth area where your company obtains revenue from physical mode of class as well as interactive means, besides education through television in the near future. The content that was aimed for advertising stream would now be additionally leveraged by pay stream.

Content was the king, content would be the king and distribution is God. Distribution convergence is being built around SitiCable with content and consumer convergence is reinforced by ZTL.

While ZTL is very confident for the content domain, its subsidiaries – SitiCable, Econnect and Zee Interactive Multimedia Limited (ZIML) are emerging as the stronger distribution players.

ZTL also is proud of its Indian origin and is within the striking distance of obtaining license for uplinking and ISP, unlike other companies who still have foreign origins.

Your company - ZTL has been brought up to this stage by exports and Ad sales and now its subsidiary companies – SitiCable, ZIML & Econnect, who are poised to enter the next level and next phase of, especially new and e-economy growth sectors.

Sports and film have been the drivers of TV channels, especially in the pay market worldwide.

Your company has taken initiative to venture into films this year. We are giving new impetus to sports, especially Cricket and Soccer. Just as your company thrived by creating newer and newer content in TV and entertainment, likewise your company is creating newer and newer streams of content in sports, particularly in Soccer and Cricket so as to be in a position to launch a full-blown sports channel to support its sky initiatives.

Zee believes that the government would be more liberal in privatization and licensing of the media sector.

Your company being an Indian company and having already invested in the pay infrastructure, launched regional channels, advanced talks with third parties and initiated the process of broadband convergence - including the laying of optical fibre and is the only company which is clearly ahead of its competitors in all the new growth areas.

Media industry does not allow time to think or time to respond. Move first to the market is the mantra of success.

There is no luxury of extrapolating the past into the future. It is the characteristic of the Brick and Mortar industry. The winner takes all. Either you perform or perish. Either you are on top or bottom. There are no middle paths for a growing company like yours. Growth opportunities have virtually been thrust upon us.

It is our philosophy and endeavour to serve the South Asian diaspora not only in the sub-continent, but also across the globe with the richness of its culture, and thus bring home away from home for millions of our overseas viewers. Additional channels in Music and Bangla were introduced in the UK and Europe during the year. In the United States, Zee Gold a Hindi movie and music channel was launched in addition to Zee TV. The launch of our service in the Caribbean has opened up markets in Trinidad, Tobago, Surinam and the West Indies and also has the potential to cater to audiences in Latin America. The year also saw initiatives in opening the Australia and New Zealand markets with the launch of a 6-channel bouquet in Australia. The Zee Network today reaches 200 million viewers across 75 countries.

If your company earlier was originally and totally a content concentrated one requiring no CAPEX, your company in the future would have to be the leader in distribution requiring investments.

With the leadership of both content and access, your company in the future would be in an enviable, but unassailable position.

The human resource has been the pillar of strength throughout our existence. We recognize this and have taken further steps to enhance productivity, reward dedication and share the wealth of the company with the team. The ESOP scheme of 1998 was broadbased this year to cover more section of employees thus instilling a greater sense of being part of the Zee family.

We value enterprise and initiative and therefore it has been our endeavour to build an institution that is nimble footed

and quick to respond. Growth dynamics propel us to continuously evolve and restructure so as to give the desired focus and efficacy. Training initiatives further augment the skills for overall optimization of resources.


As a pioneer in the media sector, we will continue to be progressive and innovative. We have already taken steps to comply with the recommendations of the Shri Kumar Mangalam Birla Committee on Corporate Governance as constituted by SEBI for increased transparency in transactions.

We also have an unflinching commitment towards our viewers and our partners in business. We shall always strive to deliver the best solutions aimed at enhancing value for our advertisers. We shall show the same rigour in expanding our operations across the world to reach as many South Asians as possible and exploit our IPR.

Zee has stayed committed to its efforts of increasing revenue, but not at the cost of losing the traditional Indian Values. Abundant care has been taken not to hurt the cultural and traditional sentiments of the viewers in a rush to increase profits.

Overall we are all committed to maximize shareholders wealth and grow Zee as a big media conglomerate making it the undisputed leader in the mindshare business. We are steadfast in our resolve to build on our strengths, improve on our weaknesses and harness technology so as to make a global institution that every Indian is proud of.

This is my dream, vision and goal. I hope, you will appreciate my earnestness in the right perspective and join me towards the march of leadership in the new millennium.



Subhash Chandra

KEY EVENTS

1999-2000

Acquisition of ZMWL

In September 1999, ZTL acquired Zee Multimedia Worldwide Limited (ZMWL). Following this acquisition, all the international operations including the broadcasting business of ZMWL came under ZTL's control.



Acquisition of NewsCorp's Stake

ZTL acquired NewsCorp's 50% stake in Asia Today Limited (ATL), Siticable, and Programme Asia Trading Company Ltd. and now owns 100% of these businesses. The consideration paid for the acquisition was USD 296.51 million.



Launch of New Channels

To complement the existing bouquet and to increase penetration in the C & S homes, ZTL launched four regional channels under the umbrella brand of Alpha viz., *Alpha Marathi*, *Alpha Bangla*, *Alpha Punjabi* and *Alpha Gujarati*. All the Alpha channels are now digitally transmitted pay channels and, in a short span, enjoy a good market share. Alpha Marathi, with 76% prime time viewership, is already a market leader in its segment. To enter the English language market 2 new 24-hour channels - Zee-English and Zee Movies were launched.

